2017 AHR EXPO Las Vegas

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Annual Economic Outlook Survey from AHR Expo, *ASHRAE Journal* Underscores Expected Business Growth Across the HVACR Industry

WESTPORT, Conn., December 20, 2016 – According to a recent AHR Expo and *ASHRAE Journal* survey sent to more than 1,400 HVACR manufacturers worldwide, there is growing optimism for improving economic prospects in 2017. Based on survey results, 86 percent of the respondents expect their sales to grow in the coming year.

The survey consisted of nine questions, all in relation to anticipated overall market and individual business performance. Results were then compared to a similar survey sent in the Fall of 2015, which gauged Show exhibitors' expectations for 2016.

"It is always interesting to see how trends across the exhibitor landscape continue to shift," said Clay Stevens, president of International Exposition Company. "We're pleased to note the increase in responses around anticipated business growth, as well as an increase in good and excellent outlook responses regarding a majority of the HVACR industry's various market segments. Combining these positive predictions with the fact that the 2017 AHR Expo will be the largest held in the Show's 88-year history, we are anticipating a stellar year for business activity among exhibitors and attendees."

Business Activity Projections for 2017

When asked to rate prospects for business in 2017, 98 percent of survey participants indicated a positive outlook. Within these responses, 24 percent answered "excellent," representing nearly a 10 percent increase from 2016. Additionally, 54 percent responded "good" and 20 percent responded "fair," with only two percent rating prospects as "poor" for the coming year.

Additionally, 86 percent of survey respondents said they expected their business to increase in 2017. Of these, 27 percent believed their business would increase by more than 10 percent, indicating a 6 percent jump from 2016. Respondents forecasting their business growth to be between five and 10 percent in 2017 increased five percent from 2016, to a total of 38 percent. Twenty-two percent of respondents indicated business growth of less than five percent, with 11 percent anticipating business activity to remain the same for 2017. With only two percent of respondents anticipating their business to decrease next year (compared to eight percent surveyed in 2015), overall results showed a notable uptick in expected sales for 2017.

In further qualifying sales performance, respondents were asked to share their comparative sales results between 2015 and 2016. Twenty-three percent of respondents indicated sales had increased significantly (by more than 10 percent), while 34 percent shared sales had increased somewhat (up to 10 percent) from 2015 to 2016. With 29 percent indicating their sales had stayed about the same, an additional 11 percent noted they had decreased somewhat (by less than 10 percent), and three percent indicated a sales decrease of more than 10 percent. Overall, when comparing these performance results to those anticipated for 2017, respondents generally seemed to feel they would perform as well as, if not better than, they did between 2015 and 2016.

Anticipated 2017 Market Segment Performance

Thirty-eight percent of survey participants shared that maintenance and replacement applications would provide the best prospects for business in 2017, representing a 10 percent increase from 2016 survey results. Retrofit and renovation applications, indicated by 32 percent of respondents as providing the best business prospects, decreased 10 percent from 2016. New construction held steady at 30 percent, in exact alignment with the response percentage from 2016's survey.

Drilling down into anticipated opportunity across the HVACR industry's various market segments, respondents were asked to rate their outlook for the following: residential; light commercial; heavy commercial; schools; non-school institutional; office buildings; lodging; manufacturing/industrial; hospitals/healthcare; restaurants/hospitality; laboratories/cleanrooms; and international markets. The residential, light commercial, heavy commercial, schools, lodging and international market categories all received a greater percentage of "excellent" ratings when compared to 2016's survey. Additionally in comparison to 2016's responses, the non-school institutional, manufacturing/industrial, hospitals/healthcare and restaurants/hospitality markets all received a higher percentage of "good" ratings for 2017.

Overall, the light commercial market was identified as offering the most promising outlook for 2017, with 74 percent of respondents rating it as excellent or good. The hospitals/healthcare market followed, receiving a combined total of 71 percent excellent and good ratings, and the heavy commercial market came in at a close third, with a combined 70 percent of excellent and good ratings. Laboratory and cleanroom applications represented the category of least anticipated growth next year, with less than half (46 percent) of respondents indicating either an excellent or good business outlook in its regard.

Product & Technology Characteristics of Significance

Respondents were also asked to weigh in on the anticipated importance of energy efficiency, indoor air quality (IAQ), maintenance, first costs, sustainability, reliability and comfort to their customers in 2017. Reliability led in significance, with 77 percent of respondents denoting it as “very important” to customers, reflecting similar results from survey respondents in 2016. While the previous year’s survey reflected a 10 percent higher (87 percent) response regarding reliability as “very important,” this year’s survey denoted a 10 percent jump in “somewhat important” responses, equating to the same number of combined respondents indicating reliability as either “very” or “somewhat” important for both 2016 and 2017. From this, it is expected that manufacturers will continue to engineer product and systems solutions to deliver on improved reliability in the coming year.

Of additional significance was maintenance, first costs and energy efficiency, which received combined “very” and “somewhat” important responses of 98 percent, 96 percent and 92 percent, respectively. Within these categories, there was a three percent increase in those indicating first costs as “very important” when compared to the previous year’s survey results.

Indoor air quality (IAQ) followed with a combined 89 percent of respondents indicating this category as either “very important” (48 percent) or “somewhat important” (41 percent) to their customers in 2017. Most notably, 12 percent more respondents denoted IAQ as “very important” for 2017, when compared to 2016 survey results. IAQ is subsequently expected to be a category of keen interest, and one on which manufacturers will place an increasing emphasis around research and development in the coming year.

Sustainability and comfort, with combined “very” and “somewhat” important respective percentages of 88 and 87, rounded out the responses regarding factors of importance for customers in 2017. When compared to 2016 survey results, sustainability increased in overall importance (i.e. combined “very” and “somewhat” important responses) by 6 percent, while comfort slightly decreased in overall importance by three percent.

Innovation Introductions for 2017

Similar to years past, this year’s survey results indicated continued industry growth as 61 percent of AHR Expo exhibitors said they planned to introduce a new product at the 2017 Show in Las Vegas. Additionally, 43 percent of respondents shared that the new products they introduce would in some way improve energy efficiency.

2017’s Driving Trends

Provided with the opportunity to share their thoughts in an open-ended answer to the question “What do you see as the most important trend or issue in the HVACR industry,” respondents were candid in sharing a variety of opinions. While the range and scope of answers was wide, 36 percent of respondents were unanimous in their belief that energy efficiency remained a key focus for 2017. This reflects a similar trend in survey responses for 2016, and is anticipated to indicate further advancements across the HVACR manufacturing landscape around improved efficiency performance.

In a similar vein, several respondents indicated sustainability and emissions reduction as important areas of focus in the coming year. One respondent particularly indicated the importance of keeping efficient equipment and overall building operations running properly, so that mechanical systems can operate at the optimal levels originally intended by the mechanical engineer.

Fifteen percent of open-ended responses in some way addressed the issue of connectivity, improved equipment integration and technology platform protocols, and the increasing role played by the Internet of Things (IoT) across the HVACR industry. Within these, specific remarks were made on the importance of advancing smart controls, and capabilities such as occupancy-sensing/controlled mechanical systems, in the coming year.

Customer concerns around first costs were indicated by 11 percent of respondents as a major issue for 2017, with particular responses addressing: the balance between quality and cost-effectiveness; the need for clearly defined return on investment (ROI) calculations; and cautionary measures regarding cheaply produced products and parts.

An additional nine percent of respondents shared their belief that recruiting the next generation of HVACR industry professionals, as well as ensuring their proper education and training, would be of utmost importance as a focus for the coming year.

Recognizing the impact of the U.S. economy and political landscape on the HVACR industry at-large, 13 percent of respondents remarked on governmental regulations, a revitalized economy, and the results of the 2016 U.S. presidential election as expected to notably affect the industry in 2017.

Further factors such as fuel costs, the reliability of the U.S. utility grid, increased application of heat recovery, VRF and ductless systems, movement from tube-and-fin to microchannel solutions, and increased awareness/use of push-to-connect fittings were also mentioned as important trends for the coming year.

For more information on the 2017 AHR Expo, visit **www.ahrexpo.com**.

About AHR Expo
The International Air-Conditioning, Heating, Refrigerating Exposition (AHR Expo), which began more than 85 years ago as a heating and ventilation show, has now grown into one of the world's largest HVACR events. The Exposition is held annually in key markets and major cities across the U.S., hosting close to 2,000 exhibitors and bringing in crowds of 60,000 industry professionals. The Show provides a unique forum for the HVACR community to come together and share new products, technologies, and ideas. The event is co-sponsored by ASHRAE and AHRI, and is held concurrently with ASHRAE's Winter Conference.

About International Exposition Company, Inc. (IEC)

International Exposition Company (IEC) is a Westport, Conn.-based trade show management company. For more than 100 years, the company has built its reputation on a track record of honesty, respect and fairness for exhibiting companies and show attendees. IEC owns and manages three major trade show events; the annual AHR Expo (International Air-Conditioning, Heating, Refrigerating Exposition), the biennial AHR Expo-Mexico, and the biennial Chem Show. Attendance across the three events totals in excess of 70,000.

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